

**STATE OF CALIFORNIA  
DEPARTMENT OF INSURANCE  
45 Fremont Street, 21<sup>st</sup> Floor  
San Francisco, California 94105**

**REG-2007-00056**

**January 22, 2008**

**INITIAL STATEMENT OF REASONS  
REGARDING CALIFORNIA LOW COST AUTOMOBILE INSURANCE RATES FOR  
Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, El Dorado, Glenn,  
Humboldt, Inyo, Kings, Lake, Lassen, Madera, Marin, Mariposa, Mendocino, Modoc,  
Mono, Napa, Nevada, Placer, Plumas, San Benito, San Luis Obispo,  
Santa Cruz, Shasta, Sierra, Siskiyou, Solano, Sutter, Tehama, Trinity,  
Tuolumne, Yolo, and Yuba Counties**

**INTRODUCTION**

California Insurance Commissioner Steve Poizner will hold a public hearing to consider current rates for certain counties in the California Low Cost Automobile Insurance program that have been established by prior emergency regulations.

Low cost automobile insurance program legislation, 2005 Stats., chapter 435 (SB 20, Escutia), extended the program to Alameda, Fresno, Orange, Riverside, San Bernardino, and San Diego counties, commencing April 1, 2006. The bill further authorized expansion of the program to all counties in California at the discretion of the Commissioner, subject to specified procedures. The legislation does not specify a rate, but authorizes the Commissioner to adopt regulations establishing a rate, in consultation with the California Automobile Assigned Risk Plan (CAARP), as emergency regulations. Previous legislation mandated the availability of optional uninsured motorists and medical payments coverages to policyholders at additional premium.

In consultation with CAARP, the Commissioner adopted regulations establishing rates for the liability policy and additional coverages for Alameda, Fresno, Orange, Riverside, San Bernardino, and San Diego counties on an emergency basis, which were approved, effective April 1, 2006. Following statutory procedures, the Commissioner designated additional counties for expansion: Contra Costa, Imperial, Kern, Sacramento, San Joaquin, San Mateo, Santa Clara, and Stanislaus. In consultation with CAARP, the Commissioner established rates for these counties through emergency regulations, effective June 1, 2006. Subsequently, a Certificate of Compliance for these prior emergency regulatory actions was approved December 27, 2006. The Commissioner further expanded the program, in consultation with CAARP, on an emergency basis to Merced, Monterey, Santa Barbara, Sonoma, Tulare, and Ventura counties, effective March 30, 2007. Subsequently, after public hearing, rates for these expansion counties were approved in regulatory action, effective October 10, 2007.

Following statutory procedures, the Commissioner announced plans to further expand the program to twenty (20) additional counties of Amador, Butte, Calaveras, El Dorado, Humboldt, Kings, Lake, Madera, Marin, Mendocino, Napa, Placer, San Benito, Santa Cruz, Shasta, Solano,

Sutter, Tuolumne, Yolo, and Yuba. After making an initial determination of need and holding a public forum to solicit community input in each of these counties, the Commissioner made a final determination that the program was necessary and desirable in each of these counties, based on a consideration of specified factors. In consultation with CAARP, the Commissioner established rates for the liability policy and additional coverages for these counties through emergency regulations, as authorized by statute, which were approved, effective October 1, 2007.

In addition, following statutory procedures, the Commissioner determined the need for the program in the sixteen (16) remaining counties of Alpine, Colusa, Del Norte, Glenn, Inyo, Lassen, Mariposa, Modoc, Mono, Nevada, Plumas, San Luis Obispo, Sierra, Siskiyou, Tehama, and Trinity. In consultation with CAARP, the Commissioner established rates for the liability policy and optional coverages through emergency regulations, which were approved, effective December 10, 2007. Rates for these expansion counties, totaling thirty-six (36) counties, are the subject of this hearing.

As approved by emergency regulations, the annual premiums for the above-enumerated 36 counties, by county, are \$311 for Alpine, \$280 for Amador, \$253 for Butte, \$275 for Calaveras, \$284 for Colusa, \$285 for Del Norte, \$285 for El Dorado, \$288 for Glenn, \$263 for Humboldt, \$271 for Inyo, \$273 for Kings, \$268 for Lake, \$286 for Lassen, \$253 for Madera, \$297 for Marin, \$279 for Mariposa, \$260 for Mendocino, \$292 for Modoc, \$286 for Mono, \$277 for Napa, \$263 for Nevada, \$314 for Placer, \$276 for Plumas, \$274 for San Benito, \$226 for San Luis Obispo, \$252 for Santa Cruz, \$260 for Shasta, \$297 for Sierra, \$259 for Siskiyou, \$304 for Solano, \$291 for Sutter, \$280 for Tehama, \$288 for Trinity, \$279 for Tuolumne, \$286 for Yolo, and \$286 for Yuba. A 25 percent surcharge is added to the base rate for unmarried male drivers ages 19 through 24 years of age.

Annual premiums for optional uninsured motorists coverage for the 36 counties, by county, are currently \$41 for Alpine, \$39 for Amador, \$33 for Butte, \$38 for Calaveras, \$38 for Colusa, \$39 for Del Norte, \$36 for El Dorado, \$38 for Glenn, \$35 for Humboldt, \$38 for Inyo, \$36 for Kings, \$37 for Lake, \$39 for Lassen, \$42 for Madera, \$36 for Marin, \$39 for Mariposa, \$36 for Mendocino, \$40 for Modoc, \$40 for Mono, \$35 for Napa, \$36 for Nevada, \$35 for Placer, \$39 for Plumas, \$37 for San Benito, \$33 for San Luis Obispo, \$32 for Santa Cruz, \$35 for Shasta, \$41 for Sierra, \$38 for Siskiyou, \$32 for Solano, \$36 for Sutter, \$37 for Tehama, \$39 for Trinity, \$37 for Tuolumne, \$36 for Yolo, and \$41 for Yuba.

For optional medical payments coverage, by county, premiums are currently \$28 for Alpine, \$28 for Amador, \$28 for Butte, \$25 for Calaveras, \$28 for Colusa, \$27 for Del Norte, \$25 for El Dorado, \$26 for Glenn, \$25 for Humboldt, \$27 for Inyo, \$26 for Kings, \$27 for Lake, \$26 for Lassen, \$34 for Madera, \$26 for Marin, \$26 for Mariposa, \$27 for Mendocino, \$27 for Modoc, \$27 for Mono, \$27 for Napa, \$25 for Nevada, \$26 for Placer, \$26 for Plumas, \$25 for San Benito, \$23 for San Luis Obispo, \$25 for Santa Cruz, \$27 for Shasta, \$27 for Sierra, \$25 for Siskiyou, \$28 for Solano, \$27 for Sutter, \$28 for Tehama, \$27 for Trinity, \$26 for Tuolumne, \$26 for Yolo, and \$30 for Yuba.

California Insurance Code Sections 11629.7 through 11629.85 establish, within the California Automobile Assigned Risk Plan, established under Section 11620, a statewide low-cost automobile insurance program.

Because the program is established and administered through CAARP, CAARP procedures are applied where appropriate and not inconsistent with the low cost automobile insurance statutes. Insurance Code Sections 11620 and 11624 require the Commissioner to hold a public hearing before amending assigned risk plan rates.

Insurance Code Section 11629.7 requires that, after a public hearing, the Commissioner shall approve or issue a reasonable plan for the equitable apportionment, among insurers, of eligible consumers. The plan also contains rules and rates. This plan, approved by the Commissioner, is referenced in Title 10, Section 2498.6 of the California Code of Regulations.

Therefore, the Commissioner is holding this hearing to consider current rates for the 36 expansion counties set by emergency regulations.

#### STATEMENT OF SPECIFIC PURPOSE

Insurance Code Section 11629.7 requires that, after a public hearing, the Commissioner shall approve or issue a reasonable plan for the equitable apportionment, among insurers, of eligible consumers. The plan also contains rules and rates. This plan, approved by the Commissioner, is referenced in Title 10, Section 2498.6 of the California Code of Regulations.

Recent legislation involving the low cost automobile insurance program (SB 20, Escutia) extended the program to enumerated counties and further authorized expansion of the program to all counties, at the Commissioner's discretion, subject to specified procedures. The legislation did not set rates, but authorized the Commissioner to adopt regulations establishing a rate, as emergency regulations. In accordance with statutory procedures, the Commissioner has expanded the program to all counties in California, in phases.

Following specified statutory procedures, the Commissioner has recently expanded the program to twenty (20) counties (Amador, Butte, Calaveras, El Dorado, Humboldt, Kings, Lake, Madera, Marin, Mendocino, Napa, Placer, San Benito, Santa Cruz, Shasta, Solano, Sutter, Tuolumne, Yolo, and Yuba) in one phase and the final remaining sixteen (16) counties in another phase (Alpine, Colusa, Del Norte, Glenn, Inyo, Lassen, Mariposa, Modoc, Mono, Nevada, Plumas, San Luis Obispo, Sierra, Siskiyou, Tehama, and Trinity). To implement the expansion in these counties, the Commissioner sought and received CAARP's rate recommendations, which the Commissioner adopted by emergency regulations. The emergency regulations were approved for the twenty (20) counties, effective October 1, 2007, and for the sixteen (16) counties, effective December 10, 2007.

Details are available in the prior emergency rulemaking files (ER-2007-00003 and ER-2007-00004), herein incorporated by reference, and are available for review.

The rate-setting statutes specify that rates shall be sufficient to cover losses incurred under policies issued under the program and expenses. In assessing loss reserves, the Commissioner shall only allow loss reserves estimated from actual losses in the program or comparable data by a licensed statistical agent, adjusted to reflect coverage provided by the program. Rates shall be set so as to result in no subsidy of the program or subsidy of policyholders in one county by policyholders in any of the other counties.

In accordance with these rate-setting standards, the Commissioner is holding a hearing to consider current rates in the thirty-six (36) counties and alternatives.

#### IDENTIFICATION OF STUDIES

CAARP's rate recommendations in prior emergency rulemaking files, incorporated herein, rely upon the expertise of CAARP's technical staff. Other than the rate proposals and accompanying explanatory memorandum and exhibits, however, no studies have been submitted for this proceeding.

#### SPECIFIC ACTIONS, PROCEDURES, TECHNOLOGIES OR EQUIPMENT

Adoption of the proposed rate would not mandate the use of specific technologies or equipment.

#### REASONABLE ALTERNATIVES

The Commissioner invites public comments on the proposed rates and reasonable alternatives which would be as effective to carry out the statutory mandate and be less burdensome to affected persons and small businesses.

#### ECONOMIC IMPACT ON BUSINESS

The Commissioner has initially determined that the proposed rates will not have a significant adverse economic impact on businesses because the rates apply to private passenger automobile policies. The Commissioner invites interested parties to comment on whether the proposed rates will have a significant adverse economic impact on business.